



STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS



30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204-2759
Telephone: (317) 232-3955
FAX: (317) 232-7655
WEB SITE <http://www.in.gov/dfi>

RE: GUARANTEED AUTO PROTECTION (GAP) PROGRAM APPROVAL APPLICATION

A fee of \$1,000 must accompany each application for a GAP program approval. A renewal fee of \$500 plus \$10.00 per approved dealer for a maximum of \$2,000 will be due annually.

Charges for Guaranteed Auto Protection (GAP) are not specifically authorized additional charges under the Indiana Uniform Consumer Credit Code, IC 24-4.5-2/3-202. All GAP programs offered to Indiana consumers must first be approved by the Indiana Department of Financial Institutions as provided for under IC 24-4.5-2-202(1)(c) and IC 24-4.5-3-202(1)(e). These statutes read in part as follows: ".... With respect to any other additional charge not specifically provided for in this section to be a permitted charge under this subsection, the creditor must submit a written explanation of the charge to the department indicating how the charge would be assessed and the value or benefit to the debtor. Supporting documents may be required by the department. The department shall determine whether the charge would be of benefit to the debtor and is reasonable in relation to the benefits."

Enclosed is a copy of the document entitled "Questions and Answers Concerning GAP Agreements" All questions must be answered and all documents requested must be provided to this office with your application.

Your GAP program is to be submitted jointly by a third party administrator and an initial creditor (dealer). Creditors (dealers) who subsequently desire to offer the program must also complete a letter requesting approval to offer an approved GAP program. The initial creditor (dealer) letter and the subsequent creditor (dealer) letters must be submitted to the department on the dealership's letterhead. Sample copies of these letters are enclosed.

Please contact this department if you have any questions concerning GAP program approvals.

NON-DEPOSITORY DIVISION
mtarpey@dfi.state.in.gov



APPLICATION FOR GUARANTEED AUTO PROTECTION (GAP) PROGRAM

State Form 51819 (7-05)
Approved by State Board of Accounts, 2004

State of Indiana
DEPARTMENT OF FINANCIAL INSTITUTIONS
30 South Meridian Street, Suite 300
Indianapolis, IN 46204

ATTACH APPLICATION FEE CHECK HERE

DATE RECEIVED _____
LIC ID # _____ DFI ID # _____
INVOICE # _____ CHECK # _____
AMT. PD _____ BAL. DUE _____

GAP ADMINISTRATOR INFORMATION

Name

Address (*Number and Street*)

City, State, Zip Code

Contact Person

Telephone Number

Fax Number

CONTRACTUAL LIABILITY INFORMATION

Name

Address (*Number and Street*)

City, State, Zip Code

Telephone Number

Fax Number

ATTACH A COPY OF THE INDIANA DEPARTMENT OF INSURANCE FILE STAMPED COPY OF CONTRACTUAL LIABILITY POLICY.

ACKNOWLEDGMENT

The applicant executed this application on _____ and acknowledges that all statements made herein and supporting schedules, to the best of my/our knowledge and belief, are true and is a true and complete statement in accordance with the law.

Signature of Applicant

By:

Title

Print or Type in Name of Signature

E-Mail Address

QUESTIONS AND INFORMATION CONCERNING GAP AGREEMENTS

Answer all questions and include all information requested as applicable in your application for a GAP program approval.

1. What is the cost of the GAP program to the dealer?
2. Is there a maximum charge that the dealer can assess to the customer? A maximum charge is necessary for approval of the plan. Maximum charge to customer cannot exceed \$_____.
3. Is there a "free-look" period. This is required for a minimum of 30 days.
4. Does your agreement not have any type of refund provisions upon prepayment? A refund upon cancellation or prepayment of the credit transaction in full must be given by no less favorable terms than the Rule of 78s. The refund provisions must be in the GAP agreement.
5. Does your program cover the customer's auto insurance deductible? The customer maximum covered deductible must be _____.
6. What is the maximum amount of coverage that you will provide under the GAP agreement? Is this related to the manufacturer's suggested retail price (MSRP)?
7. List all States your GAP program is offered in giving the applicable State regulatory department(s), contact person, and telephone number. Include the date you began offering your program and terms of your GAP agreement.
8. Any supporting documentation that you can produce in regards to loss ratios on debt cancellation agreements. Information from trade associations, magazines, newspapers, internal studies, etc. are all acceptable.
9. The Indiana Uniform Consumer Credit Code section IC 24-4.5-2-202(1)(c) requires that the "seller" must submit a written explanation of the charge to the department indicating how the charge would be assessed and the value or benefit to the buyer. Supporting documents may be required by the department. The department shall determine whether the charge would be of benefit to the buyer and is reasonable in relation to the benefits. Have you obtained specific approval from an initial dealer in regards to your representation of them with the Department? The dealer would be the "seller" on a retail contract. This could be done using a form letter. Note: If you are a financial institution asking for approval on direct loans and retail contracts, this should be detailed as outlined in IC 24-4.5-3-202(1)(e).
10. If you are a financial institution, are you requesting approval on retail installments sales contracts that are assigned only to you? The dealer would not be offering your GAP product except in instances where the retail contract is being assigned to you?
11. Is the GAP agreement clearly offered as an optional program to the customer? This should be highlighted on the face of the document and the customer should sign the agreement acknowledging their desire for the coverage at the cost specified. The disclosure required by federal Truth in Lending, Regulation Z, Section 226.4(d)(3) must be made.
12. Have you waived any right of subrogation against the consumer?

QUESTIONS AND INFORMATION CONCERNING GAP AGREEMENTS

13. How you will market your program to Indiana dealers. Why will dealers choose your program versus other programs?
14. We need a copy of an Indiana Department of Insurance approved, file stamped, contractual liability policy.
15. What guidelines are in place to ensure that there is a "GAP" depending on the amount of down payment/trade-in by customer in relation to term of agreement? Language must be in Customer GAP agreement and dealer agreements such as: "EXCLUSIONS: This GAP program is not eligible for Finance Agreements where less than 80% of MSRP for a new vehicle or NADA average retail value for a used vehicle is financed."
16. If charges have been made for a program not approved, how many of these agreements have been written in Indiana? What steps have you taken to notify current dealers and/or financial institutions to discontinue writing new GAP agreements until such time as the product has been approved by the department.
17. Will you refund the difference between the amount charged by the dealer and the amount approved? Will the customer be given an option of having the refund sent directly to them as versus being applied to their account? Will the customer be given the option of a full refund, since the agreement was entered into prior to approval of the department? If the customer does not respond to the notice, will a refund be automatically sent to them?
18. We need a list of dealers in Indiana who are set-up to provide this product on retail contracts. If you also work directly with financial institutions on direct loan agreements, we would need the names of these institutions.
19. Accounts that were written prior to approval of the Department must be refunded in a manner satisfactory to the Department. Failure to refund these accounts, could create potential liability for the dealer who wrote the contract and the financial institution that took assignment.
20. Any additional information that you believe would support your request for approval.

A GAP program that does not meet all of the conditions for approval as an additional charge can be treated as part of the finance charge (prepaid). Proper disclosure must be made on the retail contract/loan agreement. The applicable IUCCC maximum rates under IC 24-4.5-2-201 and 3-508 cannot be exceeded at the time the sale/loan is made or if the account is prepaid.

Approval of the program as originally submitted is subject to review at a future date as deemed necessary by the Department.

LENDER/DEALER LETTERHEAD

Date

Mr. Mark B. Tarpey
Department of Financial Institutions
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204

RE: ***Your GAP Program Administrator's Name here***
Administered Guaranteed Auto Protection Agreement

Dear Mr. Tarpey:

The undersigned consumer credit lender/seller (as applicable) wishes to enter into loans/retail installment contracts in the State of Indiana which may include a Guaranteed Auto Protection Agreement Addendum ***your GAP Program name here*** administered by ***Administrator's name here***. We understand that pursuant to the provision IC 24-4.5-2/3-202, a request to the Department of Financial Institutions is required before charges for this product may be imposed in connection with a consumer credit loan/sale.

We understand that as agent for various creditors, approval must be granted by the Department of Financial Institutions to enter into GAP contracts on the form presented ***by your GAP Program Administrator's name here*** and for a charge not to exceed ***program maximum fee here***. ***List other agreement provisions here***. A contractual liability policy approved by the Indiana Department of Insurance is provided by ***enter name of insurer here***.

For all of the reasons submitted to the Department by ***your GAP Program Administrator's name here***, we hereby request approval.

Courteously,

LENDER/DEALER NAME
ADDRESS
CITY, ZIP

BY: _____ (Signed by Lender/Dealer Representative)

(Sample of **originating** lender/dealer letter)

LENDER/DEALER LETTERHEAD

Date

Department of Financial Institutions
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204

RE: *Your GAP Program Administrator's Name here*
Administered Guaranteed Auto Protection Agreement

To Whom It May Concern:

The undersigned consumer credit lender/seller wishes to enter into loans/retail installment contracts (as applicable) in the State of Indiana which may include a Guaranteed Auto Protection Agreement Addendum administered by *your GAP Program Administrator's name here*. We understand that pursuant to the provision IC 24-4.5-2/3-202, a request to the Department of Financial Institutions is required before charges for this product may be imposed in connection with a consumer credit sale.

We understand that as agent for various creditors, approval must be granted by the Department of Financial Institutions to enter into GAP contracts on the form presented by *your GAP Program Administrator's name here* and for a charge not to exceed *program maximum fee here*.

For all of the above reasons submitted to the Department by *your GAP Program Administrator's name here*, we hereby request approval to be included in the authorization granted by the Department on *date approval for program was granted*. It is our understanding that this request will constitute such approval, however, the approval will thereafter be ineffective if we are notified by the staff of the Department of Financial Institutions that our approval is not acceptable within twenty (20) days of receipt of this request.

Courteously,

LENDER/DEALER NAME
ADDRESS
CITY, ZIP

BY: _____ (Signed by Lender/Dealer Representative)

(Sample **subsequent** lender/dealer letter)